

**General Terms and Conditions (GTC) of
RED Drilling & Services GmbH
regarding the provision of services and
leasing of equipment**

(Version 12/2014)

DEFINITIONS

In these GTC, the following terms shall have the following meanings:

RED:

RED Drilling & Services GmbH (RED), Schwarzmoos 28, 4851 Gampern, Austria

Principal:

The contractual partner to whom RED provides General Services or leases RED Equipment.

Dealing with Public Authorities:

Activities agreed with the Principal aimed at providing support in Dealing with Public Authorities up to the point where required permits and approvals are granted.

General Service(s):

The services and consulting services to be provided by RED under a contractual relationship in the field of Engineering and/or Services, but not drilling of wells. RED shall carry out drilling activities only based on a drilling contract to be concluded separately.

Engineering:

General and detailed planning of wells and parts thereof. Optionally, RED can also provide support in Dealing with Public Authorities as well as supervision.

Equipment:

Any and all machinery, devices, instruments and tools that RED uses for providing the General Services or that RED leases out to the Principal.

Subcontractor:

Contractors that RED uses to comply with the contractual obligations it assumed vis-à-vis the Principal - without such subcontractors entering into any contractual relationship with the Principal.

Services

The planning and performing of wire line, slick line and measuring services as well as other drilling services or in connection with a well and the provision of testing and logging equipment.

1. SCOPE OF APPLICATION

These GTC apply to any and all General Services provided by RED to a Principal as well as to the leasing of Equipment by RED. RED shall only provide General Services after having received a written order from the Principal. Any and all orders shall be based on a written offer made by RED. Counter-offers of the Principal shall be binding for RED only if confirmed in writing by RED or if RED sends a revised written offer to the Principal, as applicable. Unless stated otherwise in the offer, offers made by RED shall be valid for a period of 30 days.

These GTC shall not apply to drilling of wells carried out by RED. RED shall carry out drilling activities only based on a drilling contract to be concluded separately.

General terms and conditions of the Principal shall not become a part of the contract unless expressly agreed with the Principal in writing. If and to the extent that the Principal makes reference to its own general terms and conditions in its order, such general terms and conditions are hereby expressly rejected. No further steps on a case-by-case basis shall be necessary to reject such general terms and conditions.

2. SERVICES OF RED**2.1 General Services**

RED provides the General Services as an independent contractor, taking into account the standards generally accepted in the oil and gas industry, and in accordance with state-of-the-art technology.

In providing the General Services, RED shall use its best efforts to ensure that the General Services ordered are provided as contractually agreed and in compliance with the standards generally accepted in the oil and gas industry and in accordance with state-of-the-art technology. The Principal is aware, however, that geological conditions (in wells and reservoirs) can change due to natural influences and cannot be fully controlled and that unforeseeable environmental conditions may arise while the General Service is being provided.

If, after entering into a contractual relationship, significant unforeseen circumstances occur that indicate that considerable additional work will be required on the part of RED, RED shall inform the Principal thereof and shall try to find a mutually acceptable solution with the Principal. This shall apply in particular if lump sums have been agreed that are independent of the time actually needed to perform the work. In such a case, both parties shall have the right to refuse the additional work necessary and to withdraw from the contract with regard to the relevant clauses without incurring any additional costs. This shall have no effect on any agreed services that are not affected by such significant unforeseen circumstances and that, seen in the context of all services to be

provided, constitute a separate service. General Services already provided by RED at the time the significant unforeseen circumstances occur shall have to be paid for irrespective of any further agreement being reached with the Principal.

Unless expressly agreed otherwise with the Principal, both parties can withdraw from the contract by sending a written notice before RED starts providing any General Services and subject to a reasonable notice period with regard to the specific General Service to be provided.

If, by the time RED receives such notice, RED has already provided preparatory services or incurred expenses for the contractual relationship or if the Principal's withdrawal results in RED breaching contracts concluded between RED and third parties, the Principal shall reimburse RED for any such costs as incurred plus a reasonable cancellation fee.

In Dealing with Public Authorities, RED shall act only in the name of the Principal. The Principal is aware that RED has no influence whatsoever on the successful outcome of any Dealings with Public Authorities.

To the extent that the Principal provides RED with any data as a starting point for providing the General Services, RED shall verify neither the completeness nor the correctness of such data.

During the performance of Services, full responsibility for the drilling/well and the workflow in and at the well shall lie with the Principal. The Principal shall also be responsible for monitoring the drilling/well. The Principal shall also be responsible for all attempts to recover Equipment from the well (fishing operations), irrespective of whether the Equipment was provided by RED, the Principal or a third party.

RED reserves the right to (temporarily) suspend the provision of General Services should the working and/or environmental conditions, in RED's discretion, make it impossible or unreasonably difficult to perform the contractually agreed activities.

Any additional services requested by the Principal - that are not covered in the contractually agreed scope of services - shall require a separate written order based on an additional offer submitted by RED. Such additional service(s) shall be subject to these GTC unless agreed otherwise in writing with the Principal.

RED shall have the right to use subcontractors, at its own cost and risk, to provide the General Services.

2.2 Leasing of Equipment

The provisions set out below shall apply also if Equipment is leased in connection with General Services to be provided by RED.

RED shall lease the Equipment to the Principal subject to the Principal's specifications, in good working order, and ready for operation. Unless separately agreed otherwise with the Principal, however, RED shall assume no guarantees whatsoever for a successful use of the Equipment or for achieving specific results by using the Equipment. If RED leases to the Principal any equipment owned by a third party, this lease shall be subject to the terms and conditions of such third party. The relevant offer shall inform the Principal thereof in writing.

Unless expressly agreed otherwise with the Principal, both parties can withdraw from the contract by sending a written notice before RED starts leasing the Equipment, subject to a reasonable notice period. If, by the time RED receives such notice, RED has already provided preparatory services or incurred expenses for leasing Equipment or if the Principal's withdrawal results in RED breaching contracts concluded between RED and third parties, the Principal shall reimburse RED for any such costs as incurred plus a reasonable cancellation fee.

The Principal shall have to return the leased Equipment in the same state in which it was received, normal wear and tear excluded. Should Equipment be returned uncleaned, RED reserves the right to clean the Equipment or to have it cleaned by a third party at the expense of the Principal.

The Principal shall bear the risk of (accidental) loss, destruction or damage of the Equipment from the time when the Equipment leaves the RED warehouse until it is returned to this warehouse. If the returned Equipment is damaged, the Principal shall bear all costs for repairing the Equipment provided that repairing is still possible. Should Equipment be lost or destroyed (even if by accident) or if the Equipment is damaged beyond repair, the Principal shall reimburse RED for the replacement costs.

3. TERMS OF PAYMENT

The price to be paid by the Principal for the General Service or the rent to be paid for Equipment shall be based on the offer made by RED. The prices stated in the offer are net prices. Any taxes that might be applicable (such as statutory VAT) will be shown separately. The same shall apply to any further taxes and/or charges payable.

Unless agreed otherwise, the Principal shall bear any and all costs of transporting employees and Equipment from RED's registered office to the respective site as well as all costs for returning employees and Equipment to RED's registered office.

Any and all invoices shall be payable without deduction within 30 days from the date of the invoice unless agreed otherwise. Should the Principal be late on any payment, RED shall be entitled to statutory default interest. RED expressly reserves the right to assert any claims exceeding the above.

Any and all objections to invoices of RED must be made in writing within 10 days after receipt of the invoice, stating the reasons. If no such objection is made, the Principal shall be deemed to have accepted the amount invoiced.

The Principal shall not be entitled to offset any of RED's claims with its own claims against RED unless the grounds and amounts of such claims were explicitly acknowledged by RED in writing or confirmed by a court with legal effect.

4. WARRANTY

RED warrants that it shall provide the General Services taking into account the standards generally accepted in the oil and gas industry.

RED shall repeat any significantly defective Services at its own cost before dismantling the Equipment required for providing the Services. Therefore, RED shall not dismantle the Equipment required for providing the Services until full completion and acceptance by the Principal, which shall not be unreasonably withheld.

If RED has to prepare a report on any results in the course of providing the General Services, the Principal shall be obliged to accept such report within 10 working days after handover. Such acceptance may also take place in a meeting with RED, which shall be documented in writing. The Principal shall be entitled to refuse acceptance only if the report on the results shows serious defects that are attributable to RED. Such serious defects as well as the form and extent to which these defects are to be remedied shall be set out in a protocol drawn up jointly by the parties. RED shall carry out the steps required for remedying such defects as set out in such protocol within a reasonable period of time at its own cost.

The Principal shall not be entitled to any further rights/remedies, in particular because the information, analyses, recommendations and results delivered and/or obtained by RED in providing the General Services contain inferences from measurements and analyses and are based on assumptions, empirical data, opinions and conclusions, which are not always guaranteed to be free from fault or error and which are subject to certain fluctuations. Correspondingly, RED cannot assume any liability and/or warranty for the correctness, completeness or usefulness of such information, analyses and/or recommendations or that a specific result will be achieved or that a specific result will be suitable for use. Any use of and reliance on such information, analyses, recommendations and results shall be the sole responsibility of the Principal and the Principal shall bear all risks relating thereto. The Principal agrees to hold RED harmless from and against all claims arising from or in connection with the use of such information, analyses, recommendations and results.

5. LIABILITY

Unless expressly regulated otherwise in these GTC, each of the parties shall be liable for any damage incurred by the other party only in cases of intent or gross negligence. None of the parties shall be liable for any damage incurred by the other party in cases of lost profit or indirect or consequential damage.

Notwithstanding any other provisions in these GTC, RED shall not be liable for any damage that, in the oil and gas industry, typically forms part of the sphere of risks and responsibilities of the Principal, including, without limitation:

- Loss or damage incurred underground, including loss of or damage to reservoirs, production zones, production wells, drill holes or drilling equipment in the well; damage to the subsoil or infringement of ownership rights in water, oil, gas or other substances;
- Damage, loss or destruction of equipment, drilling units, drilling rigs or other fixed structures installed at the or in the vicinity of the drilling location, or the (temporary) unavailability of objects and equipment for use;
- Costs for killing a well or other well control measures;
- Costs for drilling new wells, fishing operations or extra work;
- Uncontrolled buildup of fluids from or within the reservoir (blowouts underground or overground), fire, explosions, cratering or loss of control over the well;
- Contamination of soil and/or water, radioactive leaks or radiation damage and costs related to containment, clean up and waste disposal measures; and
- Interruptions or shutdown of operations and/or production losses.

The Principal shall release RED of any responsibility and liability for losses, costs, expenses (including reasonable costs for enforcing its rights) resulting from the above events and shall fully indemnify RED and hold RED harmless in this respect. The above disclaimers and release from liability shall also apply to any claims and/or claims for damages raised by third parties as a result of any of the events stated above.

The Principal shall be liable for any damage, loss and/or deterioration beyond normal wear and tear of Equipment of RED and/or its subcontractors that is used underground, unless such damage, loss and/or deterioration was caused by RED or its subcontractors with intent or gross negligence, such liability applying with regard to:

- recovery costs (including fishing operations), and
- the costs incurred for repairing, processing and transporting the Equipment, provided that it can be recovered and repaired; or
- replacement costs including import/export duties, taxes, fees and transport charges (at RED's discretion) to the site where the Equipment is used or the registered office of RED if the Equipment has been destroyed or if it cannot be repaired or recovered.

The Principal shall be responsible for obtaining all permits and approvals from Public Authorities that are required for RED to provide Services; furthermore, the Principal shall ensure unrestricted access to the place where the General Services are to be provided. Should RED be prevented or hindered from providing the General Services by any of the above, any costs arising in this connection shall be borne by the Principal; in particular, the Principal shall still have to pay the daily rates set out in the offer.

6. INSURANCE

The Principal shall, at its own cost, conclude and maintain an insurance contract with a sufficient coverage amount (of at least EUR 500,000.00) in order to indemnify RED in accordance with these GTC and to cover any other claims that RED might have under these GTC. Upon request, the Principal shall submit up-to-date proof of such insurance.

7. CONFIDENTIALITY – PUBLICATIONS

The parties are obliged to keep all facts, information and data confidential and secret and to prevent that such facts, information and data are disclosed to third parties in any form whatsoever unless the parties expressly approve of such disclosure.

Any use of confidential facts, information and data for any purposes other than fulfilling obligations or exercising rights under the contract shall be prohibited. None of the parties shall be entitled to derive any rights from the mere fact of being aware of the information, facts or data of the respective other party, such rights including, without limitation, any trademark, patent, ownership, exploitation, use, name or licensing rights, or copyrights.

The parties shall oblige any of their employees working on tasks related to the contract to maintain any information, facts or data confidential in a reasonably adequate form.

Both parties shall be entitled to pass on confidential information to affiliated companies within the meaning of section 15 et seq. Stock Corporation Act (*Aktiengesetz*) provided that confidentiality in the extent described herein is ensured.

The confidentiality agreement shall remain in force for 5 years after the end of the contractual relationship.

The confidentiality obligation does not apply to facts, information and data that are general state of the art, that have been disclosed due to applicable legislation or that have been publicly accessible or known without any involvement and fault on the part of the party obliged to maintain confidentiality.

8. FORCE MAJEURE

Events of Force Majeure shall include any unavoidable event affecting contractual obligations from the outside whose occurrence could not have been predicted by the relevant party at the time the contract was concluded. Such events of Force Majeure shall include, without limitation, terrorist attacks, blackouts, strikes, lockouts, situations similar to civil war, interference by public authorities or courts and similar.

Should one of the parties intend to refrain from fulfilling the obligations assumed under the contract due to Force Majeure, it shall immediately inform the other party thereof, stating the expected duration.

The other party shall not have any claims arising from that party's failure to comply with the contractual obligation for as long as these events of Force Majeure subsist. Quite on the contrary, the rights and obligations of both parties shall be suspended for as long as and to the extent that the contract cannot be fulfilled due to an event of Force Majeure. Any payment obligations already accrued shall remain intact and shall be fulfilled without delay.

In a Force Majeure event, the parties shall use their best efforts to limit any disadvantages arising therefrom to the smallest possible degree. The affected party shall, in particular, do everything in their power, using all reasonable technical and economic means, to remedy the cause and consequences of the Force Majeure event.

Should it be foreseeable that events of Force Majeure and/or their repercussions will subsist for more than 4 weeks, the parties shall enter into negotiations in order to find a solution that is acceptable for both sides.

If the events of Force Majeure and/or their repercussions will foreseeably subsist for more than 8 weeks, the party that is not affected by the event of Force Majeure shall be entitled to terminate that contract for cause.

9. TERMINATION FOR CAUSE

The parties may terminate the contractual relationship underlying the provision of General Services for good cause in writing without notice in particular if

- one of the parties violates material obligations under the contractual relationship and does not cease to do so despite a written reminder of the respective other party granting a grace period of 14 days;
- if the financial situation of one of the parties deteriorates in such a way that the going concern principle is seriously jeopardised and, in particular, if composition or insolvency proceedings or proceedings in preparation of court proceedings are opened or initiated with regard to the assets of RED or the Principal or if any such proceedings are rejected for lack of cost-covering assets;
- the behaviour of one of the parties seriously damages the reputation of the other party; or
- one of the parties violates applicable statutory provisions.

If the Principal terminates the underlying contractual relationship for good cause, RED reserves the right to receive any payment due for all General Services provided by RED up to the point in time when the contractual relationship is terminated.

10. TRANSFER OF RIGHTS AND OBLIGATIONS

The parties shall not be entitled to transfer individual rights and obligations arising from or in connection with any contract or the entire contract as such to third parties without obtaining the written consent of the other party.

This shall not apply to the transfer of individual rights and obligations or of the entire contract to affiliated companies (within the meaning of section 15 et seq. Stock Corporation Act (*Aktiengesetz*)) of the parties to the extent the transferring party guarantees performance of the obligations arising from the contract.

11. SEVERABILITY

If a contract provision is or becomes ineffective or void, this shall not affect the effectiveness of the remaining provisions. On the contrary, the parties undertake to replace such ineffective or void provision with an effective provision by agreeing on a provision which comes as close as possible to the economic purpose of the ineffective provision.

12. MISCELLANEOUS

Any claims of the Principal - based on whatever legal ground - shall expire by limitation within 12 months after the General Services have been provided in full.

Any amendments and/or supplements to any contract including its annexes shall be made in writing to be effective; the same shall apply to any waiver of such requirement of written form. There are no oral side agreements. The written form requirement shall not be deemed met by e-mails.

Headings have been inserted for the sake of convenience only and shall have no effect on the interpretation of the contract.

13. APPLICABLE LAW AND PLACE OF JURISDICTION

Any and all disputes arising in connection with a contract on the provision of General Services as defined under item 2 of these GTC shall be solved in negotiations between both parties cooperating in good faith.

Should it be impossible to reach an agreement or should one party declare that it will not be possible to reach an agreement, the court having subject-matter jurisdiction in the first district of Vienna shall be the exclusively competent court for all disputes arising from a contract on the provision of General Services as defined under item 2 of these GTC or relating to its violation, dissolution or invalidity.

The applicable law shall be Austrian law, with the United Nations Convention on Contracts for the International Sale of Goods (UNCITRAL) and the conflict-of-law provisions of Austrian law being excluded.